



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FLOYD COUNTY
SHERIFF'S SETTLEMENT - 1999 TAXES AND
SHERIFF'S SETTLEMENT - 1999 UNMINED COAL TAXES**

June 14, 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY

FLOYD COUNTY JOHN K. BLACKBURN, SHERIFF SHERIFF SETTLEMENT – 1999 TAXES AND 1999 UNMINED COAL

On August 11, 2000, we completed fieldwork on the Sheriff's 1999 tax collections. We have issued an unqualified opinion on the financial statements. The audit revealed no reportable internal control or compliance issues and included no report comments or recommendations.

Recordkeeping and Assistance:

The Sheriff's records were in exceptional order, and he has an outstanding staff ready to answer any questions when asked. The Sheriff provided accurate records and was very cooperative with us during the audit engagement. We commend the Sheriff for the courtesy extended to us during the audit.

Tax Collections:

The Sheriff collected and distributed \$9,281,304 of tax collections.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 1999 TAXES	3
SHERIFF'S SETTLEMENT - 1999 UNMINED COAL TAXES.....	5
NOTES TO THE FINANCIAL STATEMENTS.....	6
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	11
APPENDIX A:	
PRIOR YEAR COMMENT AND RECOMMENDATION	



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Paul H. Thompson, Floyd County Judge/Executive

Honorable John K. Blackburn, Floyd County Sheriff

Members of the Floyd County Fiscal Court

Independent Auditor's Report

We have audited the Floyd County Sheriff's Settlement - 1999 Taxes as of June 14, 2000, and the Sheriff's Settlement - 1999 Unmined Coal Taxes as of June 14, 2000. These tax settlements are the responsibility of the Floyd County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Floyd County Sheriff's taxes charged, credited, and paid as of June 14, 2000, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Paul H. Thompson, Floyd County Judge/Executive

Honorable John K. Blackburn, Floyd County Sheriff

Members of the Floyd County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated August 11, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
August 11, 2000

FLOYD COUNTY
JOHN K. BLACKBURN, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES

June 14, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 887,766	\$ 1,071,606	\$ 3,557,103	\$ 893,805
Tangible Personal Property	189,582	92,865	570,288	261,570
Intangible Personal Property				150,533
Fire Protection	3,777			
Franchise Corporation	250,379	202,858	820,892	
Oil and Gas Properties	105,059	64,321	420,950	105,774
Increased Through Erroneous Assessments	205	265	822	1,695
Penalties	13,239	15,112	51,577	15,230
Adjusted to Sheriff's Receipt	(99)	(64)	(421)	(135)
Gross Chargeable to Sheriff	<u>\$ 1,449,908</u>	<u>\$ 1,446,963</u>	<u>\$ 5,421,211</u>	<u>\$ 1,428,472</u>
<u>Credits</u>				
Discounts	\$ 15,585	\$ 15,544	\$ 59,261	\$ 17,670
Exonerations	10,774	12,693	43,017	10,798
Delinquents:				
Real Estate	79,335	94,802	316,816	79,607
Tangible Personal Property	2,867	1,404	8,624	5,672
Intangible Personal Property				2,790
Uncollected Franchise	<u>42,525</u>	<u>43,118</u>	<u>148,103</u>	
Total Credits	<u>\$ 151,086</u>	<u>\$ 167,561</u>	<u>\$ 575,821</u>	<u>\$ 116,537</u>
Net Tax Yield	\$ 1,298,822	\$ 1,279,402	\$ 4,845,390	\$ 1,311,935
Less: Commissions *	<u>55,488</u>	<u>37,199</u>	<u>96,908</u>	<u>56,045</u>
Net Taxes Due	\$ 1,243,334	\$ 1,242,203	\$ 4,748,482	\$ 1,255,890
Taxes Paid	1,241,859	1,240,458	4,742,593	1,254,404
Refunds (Current and Prior Year)	<u>1,475</u>	<u>1,745</u>	<u>5,889</u>	<u>1,486</u>
Due Districts as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

* See Page 4

FLOYD COUNTY
JOHN K. BLACKBURN, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES
June 14, 2000
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	3,351,698
2% on	\$	4,845,390
1% on	\$	528,461

FLOYD COUNTY
JOHN K. BLACKBURN, SHERIFF
SHERIFF'S SETTLEMENT - 1999 UNMINED COAL TAXES

June 14, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Coal	\$ 80,346	\$ 95,185	\$ 321,933	\$ 80,893
Omitted Taxes	23	17	94	25
Penalties	227	278	911	229
Gross Chargeable to Sheriff	<u>\$ 80,596</u>	<u>\$ 95,480</u>	<u>\$ 322,938</u>	<u>\$ 81,147</u>
<u>Credits</u>				
Discounts	\$ 1,322	\$ 1,556	\$ 5,297	\$ 1,331
Exonerations	287	371	1,151	289
Delinquents	1,059	1,061	4,246	1,069
Total Credits	<u>\$ 2,669</u>	<u>\$ 2,988</u>	<u>\$ 10,694</u>	<u>\$ 2,689</u>
Net Tax Yield	\$ 77,928	\$ 92,492	\$ 312,244	\$ 78,458
Less: Commissions *	<u>3,312</u>	<u>2,476</u>	<u>6,245</u>	<u>3,334</u>
Net Taxes Due	\$ 74,616	\$ 90,016	\$ 305,999	\$ 75,124
Taxes Paid	74,192	89,438	304,262	74,654
Refunds	<u>424</u>	<u>578</u>	<u>1,737</u>	<u>470</u>
Due Districts as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

* Commissions:

4.25% on	\$	204,096
2% on	\$	312,244
1% on	\$	44,782

The accompanying notes are an integral part of the financial statements.

FLOYD COUNTY
NOTES TO THE FINANCIAL STATEMENTS

June 14, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 10, 1999, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

FLOYD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 14, 2000
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 25, 1999 through June 14, 2000.

Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1999. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 29, 1999 through June 14, 2000.

Note 4. Interest Income

The Floyd County Sheriff earned \$25,004 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Paul H. Thompson, Floyd County Judge/Executive
Honorable John K. Blackburn, Floyd County Sheriff
Members of the Floyd County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Floyd County Sheriff's Settlement - 1999 Taxes as of June 14, 2000, and Sheriff's Settlement - 1999 Unmined Coal Taxes as of June 14, 2000, and have issued our report thereon dated August 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Floyd County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Paul H. Thompson, Floyd County Judge/Executive
Honorable John K. Blackburn, Floyd County Sheriff
Members of the Floyd County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 11, 2000

APPENDIX A:
PRIOR YEAR COMMENT AND RECOMMENDATION

FLOYD COUNTY
PRIOR YEAR COMMENT AND RECOMMENDATION

June 14, 2000

Former Sheriff Paul H. Thompson Should Eliminate All Prior Year Deficits

In prior year audits, the following deficits have been reported:

1989 Unmined Coal Tax Audit	\$ 6,745
1991 Property Tax Audit	5,315
1992 Property Tax Audit	16,663
1993 Property Tax Audit	<u>1,887</u>
 Total Deficit	 <u>\$ 30,610</u>

The cumulative deficit is \$30,610. As of September 22, 1999, the deficit balance has been reduced to \$9,354. The reduction of the deficit is due to deposits of personal funds totaling \$16,948; a \$3,975 credit given for a state penalty; and accumulated interest and miscellaneous receipts in the amount of \$503. We recommend former Sheriff Paul H. Thompson eliminate the remaining \$9,354 deficit balance and satisfy all outstanding liabilities resulting from the respective audits.

Former Sheriff Paul H. Thompson's Response:

None.

